

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Appeal of the State Gas and Oil Director's Decision Entered October 25, 1993 in the case of Ratliff Gas Company, Inc.'s Application for a Well Permit in Regard to Ratliff No. 1 CBM Well ("Subject Well"), Application No. 1336, Permit Number 2567, Located in the Hurricane Magisterial District of Buchanan County, Virginia, VGOB Docket No. 93-1221-0421

1. Hearing Date and Place: After two continuances, this cause came on for final hearing before the Virginia Gas and Oil Board ("Board") at 9:00 a.m. on February 15, 1994, Dickenson Conference Room, Southwest Virginia 4-H Education 4-H Center, Abingdon, Virginia, pursuant to § 45.1-361.36 of the Code Virginia, 1950 as amended, upon the Petition for Appeal of the Director's Decision filed on November 4, 1993 in behalf of the Permittee, Ratliff Gas Company, Inc. (herein "Ratliff").

2. Appearances: S. T. (Tom) Mullins of Street, Street, Street, Scott and Bowman appeared for Ratliff; Mark A. Swartz of Kay, Casto, Chaney, Love and Wise appeared for Buchanan Production Company; Thomas L. Pruitt of Robertson, Cecil, King & Pruitt appeared for the Wyatt/Harrison Trust; and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.

3. Jurisdiction: Pursuant to Sections 45.1-361.1 et. seq., Virginia Code, 1950 as amended, the Board finds that it has jurisdiction over the subject matter.

4. Findings of Fact:

a. On October 27, 1992, the Department of Mines, Minerals and Energy, Division of Gas and Oil (herein "DMME") received from Ratliff an application for a well permit for Subject Well, together with a bond in the amount of \$12,100. Objections to the application for the permit for Subject Well were filed by Buchanan Production Company, as a royalty owner or lessee of the mineral estate, and by Island Creek Coal Company, as coal owner. The application for the well permit for Subject Well was withdrawn by Ratliff on November 28, 1992.

b. On May 20, 1993, the Department of Mines, Minerals and Energy, Division of Gas and Oil received a second application from Ratliff for a well permit for Subject Well. Buchanan Production Company filed objections to the issuance of the permit for Subject Well.

c. On October 14, 1993, Wyatt Ratliff, Carson Brown and Ratliff Gas Company, Inc. filed a Bill of Complaint for Declaratory Judgment and Injunctive Relief in the Circuit Court of Buchanan County, Virginia, Case 227-93, to obtain a declaration of the rights of the parties and to enjoin DMME from acting on Ratliff's application for a well permit for Subject Well. On October 26, 1993 at the hearing on Ratliff's action for injunctive relief, the Court denied injunctive relief and found that Plaintiffs' had failed to exhaust their administrative remedies in that the administrative permitting action before the Virginia Department of Mines, Minerals & Energy on Ratliff's application for a well permit for Subject Well was not final.

d. Subject to the conditions set forth in a letter dated October 25, 1993, from the Director of DMME's Division of Gas and Oil to Ratliff, Permit #2567 for gas and oil operations for the Ratliff #1 well were issued to Ratliff

(herein said action is being referred to as the "Director's Decision"). The Director found that Subject Well was located within the boundaries of the Oakwood Coalbed Methane Gas Field established by the following Board orders pursuant to Va. Code §45.1-361.20 (herein "Field Rules"):

1. OGCB 3-90 issued May 18, 1990
2. VGOB 91-1119-0162 issued May 28, 1992
3. VGOB 93-0216-0325 issued April 5, 1993
4. VGOB 93-0316-0348 issued October 13, 1993

The Director's Decision required, among other things, that Ratliff make application within 120 days to the Board for the pooling of the Oakwood Drilling Unit U-19 in which Subject Well was located pursuant to Va. Code §§ 45.1-361.21 and 45.1-361.22 or that Ratliff apply for the creation and the pooling of an appropriate drilling unit(s) to be served by Subject Well pursuant to Va. Code §§ 45.1-361.20, 45.1-361.21 and 45.1-361.22, as applicable. Further the Director's Decision required that no coalbed methane gas be produced from Subject Well until such time that the Board rendered a decision on Ratliff's application for the pooling of Oakwood Unit U-19 or the creation and pooling of a proper drilling unit(s).

e. On November 4, 1993 Ratliff filed a Petition for Appeal of the Director's Decision pursuant to Va. Code §45.1-361.23 in which Ratliff requested the following relief:

1. A stay of: (a) the permit condition requiring Ratliff to file with the Board within 120 day an application for the creation and/or pooling of a drilling unit to be served by Subject Well and (b) the limitation that Ratliff not produce gas from the well until decision by the Board concerning Ratliff's application to create and/or pool a drilling unit to be served by Subject Well.

2. That the Board affirm the granting of the permit but set aside the restrictions imposed in the permit.

f. At the hearing before the Board of Ratliff's appeal of the Director's Decision, Ratliff announced that it had reached a tentative agreement with counsel for Buchanan Production Company and counsel for Landon R. Wyatt, Jr. and Wayles R. Harrison, Jr. Trustees for the children of Landon R. Wyatt and Wayles R. Harrison, and Ratliff stipulated, without objection from said parties, and subject to the approval of the Board, that:

1. Ratliff would file with the Board a completed application for the creation and/or pooling of a drilling unit to be served by Subject Well in compliance with the requirements of Va. Code § 45.1-361.13 et seq.; provided, however, that the Board grant to Ratliff an extension to time until February 15, 1995 to do so.

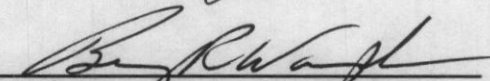
2. Pending Ratliff's filing with the Board of a completed application for the creation and/or pooling of a proper drilling unit(s) to be served by Subject Well within the extended time established by the Board for doing so, that Wyatt Ratliff not be required to disconnect the coalbed methane gas service to his personal residence from Subject Well but be allowed to continue said service in compliance with approval obtained by Mr. Ratliff from the State Corporation Commission. Mr. Ratliff agreed to immediately install a meter on the well and to monitor the amount of gas being produced by Subject Well and used by Mr. Ratliff for his personal use.



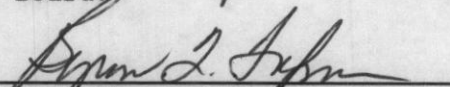
5. CONCLUSIONS AND FINDINGS:

The Board approves the stipulations set forth in Paragraph 4.f. above by amending the requirements of Paragraph 1 of the Gas and Oil Director's letter to Ratliff dated October 25, 1993 to require that as a condition to the issuance of Permit #2567 Ratliff must file with the Board on or before February 15, 1995 a complete application for either (1) the pooling of the Oakwood Coalbed Methane Gas Field Unit U-19 in accordance with the Oakwood Coalbed Methane Gas Field I Order OGCB 3-90 dated May 18, 1990, as amended by VGOB 93-0216-0325 and VGOB 93-0316-0348, and/or with the Oakwood Coalbed Gas Field II Order VGOB 91-1119-0162 entered May 28, 1992, as amended by VGOB 93-0216-0336/93-0316-0349 and by VGOB 93-0316-0348, Va. Code §§ 45.1-361.21 and 45.1-361.22 or (2) the creation of a proper drilling unit(s) to be served by Subject Well and, if necessary, the pooling thereof in accordance with Va. Code §§ 45.1-361.20, 45.1-361.21 and 45.1-361.22. Further, provided Ratliff has installed a meter on Subject Well and is monitoring and reporting the gas being produced by said well, and provided Ratliff files its completed application with the Board for the pooling of Oakwood Unit U-19 or the creation and pooling of an appropriate unit(s) to be served by Subject Well on or before February 15, 1995, Ratliff may continue its current service of coalbed methane gas from Subject Well to Wyatt Ratliff solely for his personal/residential use in accordance with authority to do so obtained from the State Corporation Commission.

DONE AND EXECUTED this 31<sup>st</sup> day of May, 1994, by Order of this Board.

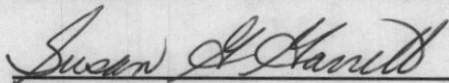
  
Chairman, Benny R. Wampler

DONE AND PERFORMED this 31<sup>st</sup> day of May, 1994, by a majority of the Virginia Gas and Oil Board.

  
Byron Thomas Fulmer  
Principal Executive to the Staff  
Virginia Gas and Oil Board

STATE OF VIRGINIA )  
COUNTY OF WISE )

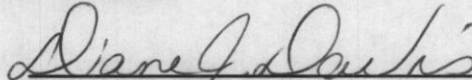
Acknowledged on this 31<sup>st</sup> day of May, 1994, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

  
Susan G. Garritt  
Notary Public

My Commission Expires: 7/31/94

STATE OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this 31<sup>st</sup> day of May, 1994,  
personally before me a notary public in and for the Commonwealth of Virginia,  
appeared Byron T. Fulmer, being duly sworn did depose and say that he is  
Principal Executive to the Staff of the Virginia Gas and Oil Board, that he  
executed the same and was authorized to do so.

  
Diane J. Davis  
Notary Public

My Commission Expires: 9/30/97